



DEPARTMENT OF STATE

BRIEFING MEMORANDUM

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(Entire Text)

December 1, 1978

TO: The Secretary

FROM: INR - David E. Mark, Acting *Dean*

SUBJECT: Events in China: Implications for Stability
and for Sino-US Relations

Events in China since the beginning of November impact on leadership stability, the shape of the modernization drive, and the depth of China's commitment to cooperate on some questions with the US and our allies. The major party work conference which convened in Peking around November 10 to undertake a review of Vice Premier Teng Hsiao-p'ing's modernization program will now be followed by a full central committee plenum, expected to begin around December 10.

We believe that the poster and rally activity of the past two weeks (which has now been curbed) was initiated and guided by Teng to pressure the leadership into full ratification of his far-reaching policies. These include structural reform of China's education, wage, and management systems. They also include changes in the conduct of foreign economic and cultural relations, such as flexible international loan arrangements and the large-scale dispatch of students abroad.

Teng will most likely make gains toward:

- repudiating his 1976 dismissal by Mao, and rehabilitating other critics of Maoist policy--such as former Defense Minister P'eng Te-huai and former President Liu Shao-ch'i;
- rendering Chairman and Premier Hua dependent on Teng so that Teng's own authority becomes unquestioned;

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--tipping the current balance in the Politburo toward himself by restoring former colleagues, adding or promoting other Teng supporters, and neutralizing or demoting his opponents.

It now appears most likely that Teng will accomplish the foregoing without a major purge which would undercut leadership unity and publicly weaken Chairman Hua.

The outlook for stability is thus better than before. The prospects are for a leadership coalition, strongly influenced by Teng but broad enough to command the support of Hua and others who are not strict Teng loyalists. This would be more likely than the current tensely-balanced Politburo to build a foundation for the modernization drive and cooperation with the West which could survive Teng.

While there is no evidence to suggest that debate has taken place over China's foreign policy strategy or Sino-US relations, the above outcome is likely to strengthen policies which Teng strongly advocates, including:

- pursuit of the rapid normalization of US-China relations, stressing peaceful reunification with Taiwan in the longer-term future;
- development of the more far-reaching aspects of China's economic relations with the US and our allies, including technological exchange, loans, and joint development projects;
- gradual improvement in China's legal system and in respect for individual rights (albeit within severely prescribed limits).

Despite his prospects for success in these party sessions, Teng nevertheless is severely straining leadership unity. The extended length of the conference, and Teng's resort to mass political activism to press his points have risked alienating more cautious leaders and arousing foreign concern. This suggests that some of Teng's goals have met stiff opposition.

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If Teng were to attempt a far-reaching reevaluation of Mao, severely weakening Hua, he would additionally risk the public spectacle of leadership disunity. It is not clear whether Teng's recognition of this, or merely the pressure of opposition, has prompted his recent interviews with foreigners. These were masterful attempts to convince observers at home and abroad that in fact he has no intent to force through his maximum goals. Teng's statements may help prevent the formation of a coalition to block him or, in fact, may be a tradeoff for obtaining much of what he wants.

In practice, leadership stability would be most threatened by either a major Teng defeat or an overwhelming Teng victory. A temporary setback at the impending plenum -- which is unlikely -- would force Teng to go further in rallying his supporters and in attacking Mao and his opponents. Given Teng's broad backing, such a campaign could result in the removal of Hua. A victory which entailed a major turnover of the Politburo, and loss of face or position for Hua, would raise serious doubt about China's stability. Younger, more Maoist leaders might ally with centrists offended by Teng's divisive tactics and policies to fight back, and, at the least, this could obstruct Teng's modernization program.

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TO : The Secretary
FROM: INR - David E. Mark, Acting

Teng's Desire to Normalize US-China
Relations Soon

Within the past six months, Peking has adopted an approach intended to encourage rapid US movement toward normalization and help build support in the US for such movement. The key element in this approach has been a gradual return to Chou En-lai's 1972-73 line that reunification with Taiwan is not urgent and may be accomplished peacefully leaving a significant level of autonomy for the island. It is hoped this will reduce concern over Taiwan's future and assuage demands for an explicit promise not to use force, a promise which the Chinese will not make.

Other moves which Peking has made, partially for other reasons, are probably also intended to aid these goals. These include:

- expanded trade and exchanges with the US which previously were to have awaited normalization;
- conclusion of the long-stalled Peace and Friendship Treaty with Japan in a manner intended to show that Peking's interests coincide with those of the US and its primary Asian ally; and
- statements of intent to improve the climate for human rights in China, perhaps partly out of a desire to defuse the issue in bilateral relations.

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The evidence suggests that Vice Premier Teng Hsiao-p'ing has been the key actor in these efforts and that he has made steady progress in convincing more cautious colleagues to follow his lead.

Teng's Perspective. Teng has more reason than others in the leadership to want to achieve normalization within the next year or so rather than set it aside once again. At 74, Teng knows he has a limited time in which to assure that China's security and progress toward modernization will last beyond his tenure and thus secure his place in history. He believes diplomatic relations with the US are central to thwarting Soviet and Vietnamese pressures on China. They are also important in gaining easier access to the capital, expertise, and technology of the US and its allies. Evidence suggests Teng hopes for significant achievements by next October's thirtieth anniversary celebrations. Much of Teng's urgency probably is shared by Vice Chairman Yeh Chien-ying, 80, who has long been closely associated with efforts to improve relations with the US.

During his October visit to Tokyo, Teng projected a strong desire to achieve normalization as soon as possible. He expressed concern to Fukuda that the US preoccupation with other matters would interfere with its determination to normalize. To encourage the US to initiate negotiations, he has said China would "help" the US once it began to make the necessary efforts and that he expects a resolution could be "quick and easy." In late November, Teng gave Japanese visitors the strong impression that normalization is one of his primary goals before his death; he even offered to visit the US after normalization. (This recalls his offer to visit Tokyo to sign the Peace and Friendship Treaty with Japan if negotiations proved successful.)

Increasing Consensus Behind Teng's Approach. Others in Peking, feeling less compulsion than Teng, have tended to be more cautious, perhaps preferring to hold off on negotiations until the US is ready to meet China's

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conditions fully. Until very recently, they had not repeated Teng's more encouraging statements. Recent evidence suggests, however, that Teng's views are gaining stronger backing. Although in July Vice Premier Li Hsien-nien appeared to have undercut Teng's suggestion to Congressman Wolff that China might once again "cooperate" with the Nationalists, and stressed the probability that force would have to be used against Taiwan, by mid-November he had moved nearer to Teng's position. He stressed to Senator Muskie China's own concern about a peaceful future for Taiwan. He made statements, similar to Teng's which suggest that Peking is willing to see the "Japanese formula" (allowing post-normalization US-Taiwan economic relations) stretched to include promise of a significant degree of autonomy for Taiwan after reunification.

Implications for Negotiating Normalization. In all, evidence suggests that serious negotiations on normalization would have the greatest chance for success if they were initiated directly with Teng Hsiao-p'ing rather than at lower levels or with other leaders. In dealing with Teng, however, we must also recognize that he must be able to characterize any normalization arrangement as a step toward, rather than away from eventual reunification.

It would be easier for Teng to interpret the future US relationship with Taiwan in a positive light if the US-Taiwan relationship were only vaguely defined during the normalization process. Supporting this proposition, Teng in his public and private comments on the subject has carefully avoided rejecting various future US-Taiwan ties. Most recently, when Senator Muskie's group directly asked a Chinese official about the post-normalization sale of arms to Taiwan, he replied only that as long as China's three conditions were met, the US "will be able to handle the problem."

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